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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

COUNTRY USSR

DATE DISTR. 26 Jan 1953

SUBJECT Methods of Purchasing Quartermaster Goods from Manufacturers

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THIS IS UNEVALUATED INFORMATION

SOURCE Defector from the Soviet Occupation Forces in Germany; a trained agronomist, he had joined the army in June 1941 and immediately was commissioned as a captain because of his previous duties of supplying the Soviet Army at the Finnish front with food. He saw duty with the Intendence (Quartermaster Corps) of the 36th Reserve Brigade at Leningrad; with the 90th Division Imeni Lenin, Second Shock Army; with the 60th Shock Division, Fifth Shock Army; and with the 18th Mechanized Division, Third Shock Army. When he received orders to report to higher headquarters for his promotion to the rank of lieutenant colonel in July 1948, he went instead to Berlin and defected to the British. He now lives in the US as a DP. Subject appears intelligent and has proved to be cooperative.

1. All the articles manufactured by military plants and factories are shipped directly to the quartermaster depots and arsenals of the military districts, in accordance with plans and agreements between the Ministry of Defense and the Ministry of National Economy. The enterprises of the Ministry of Defense itself also send their products, according to the order of the Minister of Defense, directly to the military districts. All surplus production, i.e. after the supplies of military districts have been brought up to the prescribed norm, is sent to the arsenals of the Ministry of Defense.
2. A different situation exists in regard to food provisions which in a number of cases do not go directly from the supplier to the military district but pass through some sort of intermediate stage. For instance, kolkhozes and sovkhoses deliver their cattle to the Zagotskot (Cattle Procurement Trust) and only the latter supplies the Ministry of Defense; thus, an organization like Zagotskot becomes an intermediary. Besides that, hundreds of thousands of hogs and cattle belonging to the Ministry of Defense are kept for fattening at the fattening bases of Zagotskot. These hogs and cattle had, formerly, also belonged to kolkhozes and sovkhoses. [] consider civil organizations like Zagotskot intermediate agencies.
3. The Defense Department purchases quartermaster supplies, e.g. food, at a fraction of prevailing market prices. For instance, a kolkhoz or a sovkhos delivers meat on the hoof to Zagotskot, by way of State obligation, at 27 kopeks per kilogram of live weight. Zagotskot, in turn, delivers this cattle to the meat combines for preparation and supply to the population. Zagotskot receives for its work, i.e. for receipt of the cattle from the kolkhozes and sovkhoses and for its delivery to the meat combines, six rubles per centner (100 kg), to cover overhead expenses connected with their maintenance, feeding and transport. Thus, one kilogram of meat on the hoof costs the meat combine 33 kopeks, while meat on the market costs 18-20 and 22 rubles. This is where the turnover tax is levied for the benefit of the State.

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4. The Department of Defense, consuming hundreds of thousands of tons of meat, does not buy it from commercial organizations because it cannot afford to pay 20 rubles for a kilogram of meat. If it did, the upkeep of the Armed Forces would not cost 96-100 billion rubles a year but ~~many~~ times more. In order to demonstrate the Kremlin's "peaceful" disposition, the Department of Defense buys the cattle from Zagotakot at 33 kopeks a kilogram, of which 27 kopeks goes to the kolkhoz and 6 kopeks to the Zagotakot for overhead expenses, while a kilo of slaughtered meat thus costs the Department of Defense 70-72 kopeks. The Department of Defense has its own slaughtering grounds where cattle is slaughtered for the army and for the creation of enormous "EZ" reserves. It sells the hides to the industry, and the receipts from such sales cover the total cost of the cattle. In this instance, the Department of Defense needs an intermediate agency.
5. [REDACTED] one cannot consider as an intermediate stage such arsenals or warehouses as, for instance, those situated in Leningrad on Porokhovyye, where tremendous stocks of air force equipment, tanks, trucks, and artillery are concentrated, or the arsenals on Vyborgskaya Storona in Leningrad [REDACTED] because these supplies cannot be handed over to military districts, for they would constitute tremendous surpluses over the quota of material fixed for military districts. They are simply a tremendous surplus reserve accumulated in anticipation of war eventualities and kept in charge of the Minister of Defense USSR. As soon as they are needed, they will be sent directly to the military districts, armies, and divisions without any intermediary stages.

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